

# PROPOSED RESOLUTION

Resolution W-5112  
WD

Agenda ID #15107

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5112

September 15, 2016

### RESOLUTION

(RES. W-5112) DEL ORO WATER COMPANY, COUNTRY ESTATES, CALIFORNIA PINES, AND METROPOLITAN DISTRICTS. ORDER AUTHORIZING A SURCHARGE OF \$2.68 PER MONTH PER CUSTOMER FOR TWO MONTHS IN THE COUNTRY ESTATES DISTRICT, A SURCHARGE OF \$1.53 PER MONTH PER CUSTOMER FOR SIX MONTHS IN THE CALIFORNIA PINES DISTRICT, AND A SURCHARGE OF \$3.79 PER MONTH PER CUSTOMER FOR EIGHTEEN MONTHS IN THE METROPOLITAN DISTRICT TO RECOVER THE STATEWIDE LOST REVENUE RECOVERY MEMORANDUM ACCOUNTS.

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### SUMMARY

By Advice Letters 449, 450, and 452, each filed on April 29, 2016, Del Oro Water Company, a Class B water utility, seeks to recover the lost revenues adjusted for drought-related changes in operational costs, as a result of the Country Estates, California Pines, and Metropolitan Districts' implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan as recorded in its Statewide Lost Revenue Recovery Memorandum Account<sup>1</sup>, from April 1, 2014 through December 31, 2015.

This Resolution grants a surcharge of \$2.68 per month per customer, for two months for Del Oro Water Company's Country Estates District, a surcharge of \$1.53 per month per customer, for six months for Del Oro Water Company's California Pines District, and a surcharge of \$3.79 per month for eighteen months for Del Oro Water Company's Metropolitan District, to recover the lost revenues, adjusted for changes in operational costs, incurred in the Statewide Lost Revenue Recovery Memorandum Account.

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<sup>1</sup> On February 7, 2014, through Advice Letter 367-B effective February 27, 2014, the Commission granted DOWC the establishment of a Statewide Lost Revenue Recovery Memorandum Account.

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## **BACKGROUND**

On January 17, 2014, Governor Edmund G. Brown Jr., proclaimed a Drought State of Emergency and directed state officials to take all necessary actions to prepare for these drought conditions. In accordance with the Governor's directives, the Commission issued Resolution W-4976 adopting drought procedures for water conservation, rationing, and service connection moratoria ("Drought Procedures") on February 27, 2014 and required that all Class A and B water utilities that had an existing Tariff Rule 14.1 to activate the rule within 30 days of the Resolution's effective date. The Drought Procedures, in addition to providing steps to be taken when a utility suffers from a water shortage, provided that a utility without a full revenue decoupling Water Revenue Adjustment Mechanism may request to add a Water Conservation Memorandum Account to track lost revenue associated with reduced sales as a result of activating Rule 14.1.

By AL 367-B, effective February 27, 2014, DOWC established a Statewide Lost Revenue Recovery Memorandum Account (SLRRMA) to track the lost revenues due to lower sales, revenues from fines, penalties, and surcharges, and drought-related changes in operational costs in all of DOWC's Districts, as a result of implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan. The SLRRMA includes a provision that accumulated balances will be reduced by a 20 basis point risk reduction, and then further reduced if recovery would cause the district to earn more than its authorized rate of return. This is consistent with the methodology established in D. 90-08-055, D.91-10-042, and Standard Practice U-40 (Commission Policy).

By Advice Letters 449, 450, and 452, Del Oro Water Company (DOWC) has requested authority under General Order (G.O.) 96-B and Section 454 of the Public Utilities Code to increase rates to recover the accumulated balances in its SLRRMA for its Country Estates District (DOWCCE), for its California Pines District (DOWCCP), and for its Metropolitan District (DOWCM), respectively.

The DOWCCE present rates became effective on April 13, 2016, by approval of Advice Letter (AL) 442, which authorized a Consumer Price Index rate increase.

The DOWCCP present rates became effective on April 14, 2016, by approval of Advice Letter (AL) 446, which authorized a Consumer Price Index rate increase.

The DOWCM present rates became effective on April 12, 2016, by approval of Advice Letter (AL) 440, which authorized a Consumer Price Index rate increase.

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## NOTICE AND PROTESTS

AL 449, AL 450, and AL 452 were served on April 29, 2016, in accordance with the provisions of G.O. 96-B. A notice of the proposed rate increase was mailed to all DOWCCE, DOWCCP, and DOWCM customers on April 29, 2019. No protests were received.

## DISCUSSION

By AL 449, AL 450, and AL 452, each filed on April 29, 2016, DOWC seeks to recover the accumulated balance in the SLRRMA from April 1, 2014 through December 31, 2015 in its DOWCCE, DOWCCP, and DOWCM Districts, as a result of the DOWC's implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan.

Water Division (WD) reviewed DOWC's calculations of lost revenues due to lower sales and found them consistent with Commission Policy. WD also reviewed the revenues from fines, penalties, and surcharges, and drought-related changes in operational costs and found them consistent with Commission Policy.

For DOWCCE, the accumulated balance after the 20 basis point risk adjustment in the SLRRMA from April 1, 2014 through December 31, 2015 is \$30,526. However, collecting this entire amount for DOWCCE would result in earnings above authorized revenues for that district. For this reason, DOWC limited its request for recovery in DOWCCE to \$477 consistent with Commission Policy.

For DOWCCP, the accumulated balance after the 20 basis point risk adjustment in the SLRRMA from April 1, 2014 through December 31, 2015 is \$8,320. However, collecting this entire amount for DOWCCP would result in earnings above authorized revenues for that district. For this reason, DOWC limited its request for recovery in DOWCCP to \$2,645 consistent with Commission Policy.

For DOWCM, the accumulated balance after the 20 basis point risk adjustment in the SLRRMA from April 1, 2014 through December 31, 2015 is \$2,481. However, collecting this entire amount for DOWCM would result in earnings above authorized revenues for that district. For this reason, DOWC limited its request for recovery in DOWCM to \$1,978 consistent with Commission Policy.

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The procedure established in D. 91-10-042 provides that the accumulated balance be recovered over a 12 month period. However, to expedite recovery DOWC requested that the balance of \$477 be collected through a surcharge of \$2.68 per month per customer, for a period of two months, for DOWCCE. The WD agrees. This surcharge will not result in a rate of return greater than the last authorized for DOWCCE.

DOWC has requested that the DOWCCP surcharge be collected over a period of 6 months to expedite recovery. The WD agrees and recommends the balance of \$2,645 be collected through a surcharge of \$1.53 per month per customer, for a period of six months. This surcharge will not result in a rate of return greater than the last authorized for DOWCCP.

DOWC has requested that the DOWCM surcharge be collected over a period of 18 months to lessen the impact on ratepayers. The WD agrees and recommends the balance of \$1,978 be collected through a surcharge of \$3.79 per month per customer, for a period of eighteen months. This surcharge will not result in a rate of return greater than the last authorized for DOWCM.

## COMMENTS

This is an uncontested matter that pertains solely to a water corporation. Accordingly, pursuant to Public Utilities Code Section 311(g) (3), this resolution is exempt from the 30-day period for public review and comment.

## SAFETY

The resolution provides adequate revenues to the utility so that it can provide safe and reliable water service to its customers. The water served by the utility meets all applicable primary water quality standards set forth by the State Water Resources Control Board.

## COMPLIANCE

There are no outstanding Commission orders requiring system improvements. The utility has been filing annual reports as required.

## FINDINGS

1. Del Oro Water Company (DOWC) seeks to recover the lost revenues adjusted for drought-related changes in operational costs, as a result of the Country Estates

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District's (DOWCCE), California Pines District (DOWCCP), and Metropolitan District's (DOWCM) implementation of Rule 14.1, Voluntary Water Conservation and Mandatory Rationing Plan, as recorded in its Statewide Lost Revenue Recovery Memorandum Account (SLRRMA). The SLRRMA was established on February 27, 2014 by approval of AL 367-B.

2. By Advice Letters (ALs) 449, 450, and 452, filed on April 29, 2016, for DOWCCE, DOWCCP, and DOWCM, DOWC seeks to recover the lost revenues adjusted for drought-related changes in operational costs which DOWC recorded in its SLRRMA from April 1, 2014 through December 31, 2015.
3. DOWCCE incurred and recorded in the SLRRMA from April 1, 2014 through December 31, 2015, a total amount of \$30,526. However, DOWC requested only \$477 to avoid over earning for the period.
4. DOWCCP incurred and recorded in the SLRRMA from April 1, 2014 through December 31, 2015, a total amount of \$8,320. However, DOWC requested only \$2,645 to avoid overearning for the period.
5. DOWCM incurred and recorded in the SLRRMA from April 1, 2014 through December 31, 2015, a total amount of \$2,481. However, DOWC requested only \$1,978 to avoid overearning for the period.
6. ALs 449, 450, and 452 were served on April 29, 2016, in accordance with the provisions of General Order (G.O.) 96-B. A notice of the proposed rate increase was mailed to all DOWCCE, DOWCCP, and DOWCM customers on April 29, 2016. No protests were received.
7. DOWC should be permitted to transfer the amounts in its SLRRMA to a balancing account for recovery. There will be separate accounts for each district.
8. DOWC should be permitted to recover the amounts in the balancing account by imposing a surcharge of \$2.68 per month per customer, for a period of two months, for DOWCCE, a surcharge of \$1.53 per month per customer, for a period of six months, for DOWCCP and of \$3.79 per month per customer, for a period of 18 months, for DOWCM.
9. This surcharge will not result in a rate of return greater than the last authorized for DOWCCE, DOWCCP, or DOWCM.

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### THEREFORE, IT IS ORDERED THAT:

1. Del Oro Water Company, Country Estates, California Pines, and Metropolitan Districts, are permitted to transfer the amounts of \$477, \$2,645 and \$1,978, in its Statewide Lost Revenue Recovery Memorandum Account to balancing accounts for recovery over a period of two, six, and eighteen months, respectively. Accrued interest at the 90-day commercial paper rate may be added on the uncollected amounts from the effective date of this Resolution.
2. Del Oro Water Company, Country Estates, California Pines, and Metropolitan Districts, are permitted to recover the amounts in the balancing accounts reflected in Ordering Paragraph 1 above by imposing a surcharge of \$2.68 per month per customer, for a period of two months, a surcharge of \$1.53 per customer per month for six months, and a surcharge of \$3.79 per month per customer, for a period of eighteen months, respectively.
3. Authority is granted under Public Utilities Code Section 454 to Del Oro Water Company, Country Estates, California Pines, and Metropolitan Districts, to make effective the revised surcharge rate schedules submitted in Advice Letters 449, 450, and 452, and concurrently cancel its presently effective Schedules, CE-1A, Annual General Metered Service, Schedule CP-1, Annual General Metered Service and Schedule MP-1, Annual General Metered Service. The effective date of the revised rate schedules shall be five days after the date of this Resolution.

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4. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at the Public Utilities Commission of the State of California on September 15, 2016; the following Commissioners voting favorably thereon:

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TIMOTHY J. SULLIVAN  
Executive Director

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## DEL ORO WATER COMPANY ADVICE LETTERS 449, 450 AND 452 SERVICE LIST

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